

GOVERNOR'S TURTLE BAY ADVISORY WORKING GROUP

**March 19, 2008 - 10:00 - 11:00 A.M.
Governor's Conference Room
State Capitol, Fifth Floor
Honolulu, Hawaii 96813**

MINUTES

Attendance

Present: Chair Bill Paty; Governor Linda Lingle; Director Ted Liu; Senator Clayton Hee; Representative Michael Magaoay; Mr. Eric Gill; Mr. Junior Primacio; Mr. Blake McElheny; Ms. Cathleen Mattoon; Mr. Brian Wong (Representing Steve Metter); Ms. Denise Antolini; Mr. Cy Bridges; Mr. Mitch Costino

Excused: Vice Chair Laura Thielen; Mr. Ernest Martin; Ms. Lea Hong; and Councilmember Donovan Dela Cruz

Also Present: First Deputy Attorney General Lisa Ginoza; Senior Policy Advisor Linda Smith; Senior Advisor – Communications Lenny Klompus; Chief of Staff Barry Fukunaga; and members of the public

Call to Order Chair Paty called the meeting to order at 10:07 a.m.

I. Welcome and Opening Comments -- Bill Paty, Chair

Chair Paty welcomed the members to their second meeting and introduced those not present at the previous meeting.

A. Approval of Minutes from March 12th meeting

Minutes were approved subject to corrections provided by Lisa Ginoza and Denise Antolini.

II. Updates on Meeting with Oaktree -- Governor Linda Lingle

Governor Lingle summarized her meeting on March 18, 2008 with Oaktree Capital, LLC representatives Mr. John Brady and Mr. Ambrose Fisher. The Governor reported that a constructive discussion took place, which

included a review of the current financial markets in which this transaction might occur. Governor Lingle stated that she impressed upon Mr. Brady and Mr. Fisher the seriousness under which the State plans to pursue the acquisition. She also emphasized that the state believes it can act quickly to conclude a purchase.

Governor Lingle indicated that specific valuation figures were not discussed, and the State has hired an appraiser who has begun to assess both the improved and unimproved parcels.

The Governor indicated that the lenders appear to want to retain Oaktree as the entity to handle the sale of the property, and have twice rescheduled action to foreclose on Turtle Bay.

Governor Lingle also reported on her meeting with Benchmark Corporation, the firm that manages the hotel operations. Benchmark has a 10-year management contract, which has an estimated four additional years before it expires. The Governor indicated that Benchmark has 626 full and part-time employees working at the resort.

Mr. Eric Gill commented that Benchmark has used its marketing skills in the convention and business meeting community to attract visitors to the Turtle Bay resort and has been successful in increasing hotel room occupancies at the facility.

Governor Lingle also indicated that there are leases between Oaktree and two restaurants operating on the premises. There is also a lease for the helicopter pad operations. The future of these leases will need to be addressed by the acquisitions options subcommittee.

III. Subcommittee Reports

Acquisition Options Subcommittee – Mr. Ted Liu for Mr. Steven Metter

The Acquisitions Subcommittee met on Monday, March 17th. Mr. Liu said the Subcommittee discussed a framework for the acquisition, reviewed information on the first and second lien creditors, and discussed approaches to these creditors recognizing the current market conditions would make it advantageous for the state to move promptly.

Mr. Liu stated that the State is proceeding with its due diligence, has hired an appraiser and received preliminary comments from the appraisal team. In response to a question from Mr. Costino, Ted

Liu noted that a bankruptcy proceeding would create a lengthier and more complicated transaction.

Community Communications Subcommittee – Ms. Denise Antolini

Ms. Antolini summarized the work of the Community Communication Subcommittee which, with the much-appreciated assistance of the Governor's communication staff, is working diligently to set up a one-stop user-friendly website and an e-mail communications network. Summaries of meetings and related Turtle Bay activities will be posted regularly. Neighborhood Board meeting updates are also being proposed.

Additionally the Communications Subcommittee will work on messaging and address common misconceptions about the Turtle Bay project.

Chair Paty stressed the enormous opportunity and responsibility the Subcommittee is taking on to ensure we keep all interested parties in contact with our efforts.

Long-Term Resort Viability Subcommittee – Mr. Eric Gill

Mr. Eric Gill will be holding the first Subcommittee meeting shortly. He said conversations with Benchmark will be part of the Subcommittee's information gathering focus. He indicated that Benchmark is using the unique rural nature of the property as part of its current marketing strategy.

In response to a question from Chair Paty, Eric Gill indicated that the Starwood negotiations were close to closing and fell through at the eleventh hour. Mr. Gill said he will be meeting with Starwood to ask them to take another look at the resort.

In response to a question from Mr. Junior Primacio, Mr. Gill indicated that current labor agreements are in place through 2010. He expressed the opinion that an ideal buyer would continue the contracts with Local 5 and the ILWU.

IV. Legislation Update -- Representative Michael Magaoay

Representative Magaoay reported that SB 2423, SD2, HD1 was reported out of the House Water and Land Committee with amendments and subsequently was heard in the House Tourism Committee on March 17th

where it was reported out without amendments. The bill now proceeds to the House Finance Committee.

Senator Hee indicated that SB 3102, allowing private donations into the legacy lands fund, is also advancing. He urged the Administration to work with the Legislature to gain prompt passage of this measure, and a related proposal involving the transfer of development rights (TDR) between properties. Ms. Smith reported that the TDR bill has been substantially revised and the State Office of Planning is working with the relevant chairs to find the proper legislative vehicle for the new bill language.

V. General Discussion

Mr. Blake McElheny suggested that the Working Group develop a set of criteria to judge the merits of various proposals that may come forth from outside parties to acquire the property. There was a general consensus that this idea had merit. The Advisory Group members concurred that there will be occasions when the Advisory Group will need to meet in executive session as sensitive pricing and financial negotiations proceed.

Ms. Mattoon also asked that an opportunity be provided to look at how the land will be used before final decisions are made. Mr. Liu indicated the Acquisitions group would likely follow a 2-part process, looking first at how to acquire the land and then what are the purposes for which the land will be used. Most acknowledged that the process will remain fluid for the foreseeable future. Senator Hee suggested that April 15th would be the date when the Legislature will need a strong signal as to whether and to what extent public funds would be involved in the acquisition.

VI. Next meeting and schedule for future meetings

The next meeting of the Working Group will be held on Wednesday, April 2nd, at 10:00 a.m. in the Governor's Conference Room.

Subsequent meetings will be scheduled at the call of the Chair.

VII. Adjournment

The meeting adjourned at 11:07 a.m.